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About 200 million people are 15-24 years old in Africa

YOUTH IN AFRICA

a forgotten asset

SUMMARY

Chief Timipre Sylva is optimistic for 2022

Minister of State Petroleum Resources, Timipre Sylva is extremely optimistic about the progress of the oil and gas industry in 2022, despite the challenges. The recent passage of the Petroleum Industry Act will create tremendous opportunities for the industry. New investments will result from the new law, unlocking the sector's great potential. Upon his appointment in 2019, Chief Timipre Sylva promised to eliminate smuggling of PMS across borders, commercialize gas flares, increase output to about 3 million barrels a day, and finally reduce crude oil production costs by at least five percent. He also listed the expansion of domestic refining capacity and the amendments to deep offshore and inland basin production sharing contracts among his top priorities.

We hope that positive steps will be taken this year toward achieving these promises. The minister remains optimistic that Nigeria will keep moving towards the development of the oil and gas industry, despite fossil energies being the black sheep of developing countries. The Buhari administration will continue to do its best to make a better place for all Nigerians, according to him: "2022 is going to be a good year for Nigeria and the Nigeria dream will be achieved."

The Nigerian oil industry lost revenues

OPEC's largest oil producer, Nigeria, failed to maximize profits from a $75 barrel of oil and lost approximately $ 487 million. Its December production showed a decrease of $ 6.596 million barrels of oil. Nigeria's oil production is currently about 300,000 barrels below what the country should be under the target level set by OPEC+. A requirement of 1,666 million barrels per day was set by OPEC+ in December. The Nigerian actual output in December was 1,338 million bpd. Approximately 10% of Nigeria's GDP is generated by the oil and gas sector. Petroleum export revenue accounts for about 86% of total revenue. It is crucial to understand the magnitude of such a loss in revenue and its profound impact on the overall economy. Nigeria is one of the world's largest oil producers, and its limited oil production is quite concerning given its direct impact on global energy supplies. Therefore, its reduced oil production is logically a contributing factor to the current global oil price spike. OPEC+ producers delivered total gains of 250,000 barrels per day last month. They fell short of the allocated amount and were 790,000 below the daily target. Underproduction in Nigeria, Angola and Malaysia, Russia, and other countries around the world prevented the group from reaching its targeted quota.

Several factors contributed to Nigeria's oil revenue loss, including technical and operational difficulties, force majeure, and sabotage. In 2021, oil revenue losses amounted to $3.5 billion or roughly 10 percent of the country's foreign reserves. It is possible to support the country's oil industry by reducing the prevalence of oil theft. Approximately 200 million barrels of crude oil were lost to theft in Nigeria in 2021. Bloomberg reports that Nigeria losses between 150,000 and 180,000 barrels of crude a day to oil bunkering, which equals to a loss of $ 4 billion a year. The country has been producing below its required quota, showing its uphill battle to reach its target. These types of crimes are making it increasingly difficult. It is easier for thieves to steal crude oil due to aging infrastructure such as pipelines, which makes crude easier to access.

Poor security on the country's waterways and underinvestment in the sector make it difficult to combat this crime. It is imperative that the government and the oil industry work together to curtail this trend before it worsens. Some losses are experienced by Ghana, Morocco, Uganda, Mozambique, Mexico, Thailand, Azerbaijan, and Turkey but not to the same extent as Nigeria. Despite Nigeria's high production levels, the government and the oil sector should work together to develop systems to better monitor and evaluate pipelines to reduce crime. Nigerian officials set up a committee to recover crude oil and illegally refined petroleum products in September 2021. The ambitious Nigerian plan (which involves security measures) aims to end crude oil bunkering as well as boost crude production and plug revenue leaks. Gbenga Komolafe, CEO of the Nigerian Upstream Petroleum Regulatory Commission said the plan has already been approved by President Buhari's administration.

Additionally, Nigeria's oil production growth is hindered by persistent technical and operational problems. In the last few months, technical issues in Nigeria's large oil fields have resulted in many of them pumping below their normal levels, particularly in the Niger Delta like Forcados, Bonny, Escravos, Brass River, and Qua Iboe and some offshore fields like Bonga, Usan. Leakages have also increased in some of the country's key pipeline networks. A rise in pipeline sabotage or an aging or fragile infrastructure in the country is to blame for this situation. Many of the pipelines require urgent repair. The increased threat of kidnappings and other security concerns in the oil-producing south could also deter investment and hinder optimal production. Another concern is the rising violence in the southeast. To resolve the ongoing issue, let's hope that the government's plan to prevent such crimes will be put into practice successfully. It is Nigerian officials' priority to attract more investment so that better infrastructure can be built. Solving the security issues throughout the country has been one of the most important issues the Buhari administration has faced and they made gigantic steps to bring back peace even though a lot more needs to be done. If certain security measures are successfully implemented, Nigeria has the potential to be more competitive and produce more crude oil than it currently does.

A highly anticipated Dangote refinery in Nigeria

Nigeria has the second-largest oil reserves in Africa, after Libya, with an estimated 37 billion barrels of proven reserves. However, it imports most of its refined products due to limited domestic refinery capacity. While Nigeria's significant oil reserves are perceived by some people as a missed opportunity, Mr. Aliko Dangote, a brilliant world businessman, viewed it as a great business opportunity. He accepted the challenge to resolve the problem of Nigeria's reliance on the importation of petroleum products such as fuel and diesel. In 2007, he discussed with the government about the recurring issue and proposed the construction of a refinery that would ease Nigerians' hardship. Although his proposal was not approved by the former government officials, he resubmitted it to the Buhari administration, which was more receptive to the project. Mr. Dangote is enthusiastic about the enactment of the PIA (Petroleum Industry Act). He estimated that Nigeria has lost $50 to $60 billion in investments due to the delay of the bill. With the government's support, Dangote launched the oil refinery project that is designed to not only dramatically change the energy sector in Nigeria but also to expand the economy significantly.

Located in Lekki Free Zone, the Dangote refinery occupies 2,635 ha of land along the coast of the Atlantic Ocean, near Lagos. Geographically, the location was strategically chosen for its ease of transshipment of refined petroleum products to international markets. In addition to being Africa's largest oil refinery, it will be the world's biggest single-train facility. Upon its completion in 2022, it will produce an important quantity of Nigeria's refined petroleum products and even be able to export surplus products. It's an integrated refinery and petrochemical project with a capacity of 650,000 barrels per day (bpd). Dangote group's president disclosed that the refinery will be able to process crude oil in the third quarter of 2022, bringing the processing capacity to 540,000 barrels a day. Full production is expected by the end of 2022 or the beginning of 2023. It will process light and medium grades of crude oil to produce clean fuels, including gasoline and diesel, as well as polypropylene and jet fuel of euro-V quality. The facility will produce annually 10,4 million tons (Mt) of gasoline, 4,6 Mt of diesel, 4Mt of jet fuel, 0,69 Mt of polypropylene, 0,24 Mt of propane, 32,000 tons of sulfur, and 0,5 Mt of carbon black feed. There are currently approximately 40,000 workers on the site. After completion, the number of employees is expected to rise to nearly 50,000-70,000. Staff members include engineers and experts from around the world and local workers. To build skills and capacity in the local population, every foreign hire must be matched with four Nigerians. About 11,000 foreign workers and up to 29,000 employees undergoing training constitute the current staff. Aliko Dangote is not the sole owner of the $19 billion project, although the refinery bears his name. NNPC, the state-owned Nigerian National Petroleum Corporation is taking a 20% stake. Mr. Dangote holds approximately $9 billion of equity. The Standard Chartered Bank is leading a group of local and foreign banks to provide $3,3 billion for the project.US Trade and Development has funded the refinery human resource development with a 3 billion training grant. In addition to providing cost savings, the refinery will double Nigeria's refining capacity and meet the growing demand for crude oil.

In Mr. Dangote's view, the refinery will lead to a significant transformation of Nigeria and provide many benefits: currency stability, the ability to generate foreign exchange through exports, an improved trade balance, and an impact on agriculture and energy industries. At a recent foreign investors' meeting in New York, Nigeria's Central bank Governor, Mr. Godwin Emefiele noted that Nigeria's import of petroleum products accounts for 30% of its foreign exchange and can be reversed through the successful operation of the Dangote refinery. Several challenges have delayed the completion of the much-anticipated refinery, including the recent Covid-19 pandemic that caused global economic turmoil, exposed many weaknesses in supply chains, and delayed transportation of some equipment to the plant.

In the coming months, the refinery will hopefully operate at its optimal capacity and become the driving force of Nigeria's energy sector and the nation's economic growth. There is general optimism among all stakeholders that Nigeria's economy will soon expand successfully as the Dangote refinery will soon begin its operations

Nigeria International Energy Summit (NIES)

The fifth edition of the International Energy Summit (NIES) was held in Abuja from February 27 to March 3, 2022. The distinguished event was attended by many ministers and high-ranking officials, dignitaries, chief executives of local and international oil companies, industry experts, and other relevant stakeholders. It was estimated that 5,000 individuals attended the event from at least 53 countries. The summit hosted an international exhibition featuring products and services from the energy sector, economic operators, national and international companies, and potential investors showcasing their latest energy technologies. Several technical workshops and plenary sessions were held during the summit. On February 24, 2022, H.E Chief Timipre Sylva, the Minister of State for Petroleum Resources stated at a press briefing (which was a prelude to the summit) in Abuja that among the summit's milestones in the past five years were Nigeria's decade of Gas Initiative and the signing of a deal by the United States Trade Development Agency (USTDA) with Nigeria's National Petroleum Corporation (NNCP) to finance a 1,350 mega-watt combined cycle, natural gas-fired power plant in Abuja.

He stated “The objective of the summit from inception was to deliver the biggest and best African Petroleum Technology and Business Conference that will be the definitive platform, not just to Nigeria, but also for Africa to engage the global energy community. I believe that we have delivered on that with every edition.” He added, “In line with global agenda for energy transition and the need for us to remain relevant and ahead, we rebranded the summit and it became known as Nigeria International Energy Summit (NIES).”

NIES was formerly known as the Nigeria International Petroleum Summit (NIPS). The inaugural summit was held in 2018. The theme of this year’s event is: “Revitalizing the industry: Future fuels and energy transition.” The Secretary-General of OPEC, H.E Mohammad Sanusi Barkindo participated in the opening ceremony virtually and delivered a goodwill message. During the prerecorded message, Barkindo thanked President Buhari for his influential role in the organization and the global energy industry. In his remarks, he commended the Nigerian government for enacting the Petroleum Industry Act (PIA). “This long-awaited legislation for the oil and gas sector is bringing about the necessary reforms designed to strengthen institutions, solidify regulatory and fiscal frameworks and attract much-needed investment in a sustainable manner.”

In the opening summit, many dignitaries spoke to clarify Nigeria’s future options. Mr. Mele Kolo Kyari, NNPC’s managing Director, addressed an important issue Nigeria faces, which is the departure of oil major investors. According to him, Nigeria must utilize “friendly fuel within the next ten years.” By doing so, it should contribute to the commitment toward carbon net-zero while allowing the utilization of its natural resources

“They are not leaving because opportunities are not here but because companies are shifting their portfolios where they can add value and not just that, but where they can also add to the journey towards carbon net-zero commitment.” Energy transition must have sanity and justice.” Mr. Kyari also announced that Nigeria would increase its oil production as the barrel reached $106.3 on Tuesday, rising from 8.3 % to 8.47% in one day.

Key speakers discussed technology, innovation, and young energy professionals extensively during the remaining days of the prestigious event. Participants discussed the PIA and the opportunities it will present to key industry players and host communities. The strategy that is being implemented was outlined by midstream and downstream leaders. On the final day of the summit, important themes were addressed, some evolved around commercial and investment, how to unlock economic zones, maritime, and ports as energy transition hubs, and the road map on the gas-powered economy in 2030.

Youth in Africa are a forgotten asset

Young Africans are often forgotten or don’t occupy the position they deserve in society. Nevertheless, it is the most dynamic and important link in our countries’ future both numerically and economically. The leaders of our continent must act upon this situation by investing in its future because without it, Africa will not progress. About 200 million people between the ages of 15 and 24 make up this group. It makes Africa the continent with the youngest population in the world. Young people account for 60% of all unemployed Africans, according to World Bank statistics. About 62% of Africans are under 25 and 70% of Sub-Saharan Africans are under 30.

Youth in Africa are bombs waiting to go off at any time. Our leaders must take into account its numbers and act quickly to offer this critical mass a chance to survive. The continent is witnessing an unprecedented rural exodus, with young people flocking to the big cities, while others attempt illegal emigration at the risk of their lives.

All African capitals are experiencing growing levels of insecurity, and despair is rampant.

A clear correlation does exist between promiscuity and poverty, as well as a lack of education. Add to this the perverse effects of urban development, and we have an explosive cocktail present throughout Africa.

Thankfully, some countries are starting to look into this phenomenon. In Nigeria for instance, Vice-President Yemi Osinbajo, recently remarked at the National Gold Award Ceremony of the Nigerian version of the Duke of Edinburgh's International Youth Award that " Youth is Nigeria's main asset." He spoke of the important role that young people play in the defense of the nation, as well as the place they hold in technology, especially during this period of Covid 19 by developing several tools that help the federal government deal with the disease.

Furthermore, the VP acknowledged that young Nigerians play an important role in sport and leisure and admitted that they must be supported and encouraged.

Thus, the Nigerian government wants to raise $500 million to support technological activities and creativity ecosystems. The BAD is providing $170 million in funding for this project, and the rest will be provided by the Nigerian government, Islamic Bank, and the French Development Agency.

Hopefully this important initiative will resonate favorably in other African and will be an inspiration to them.

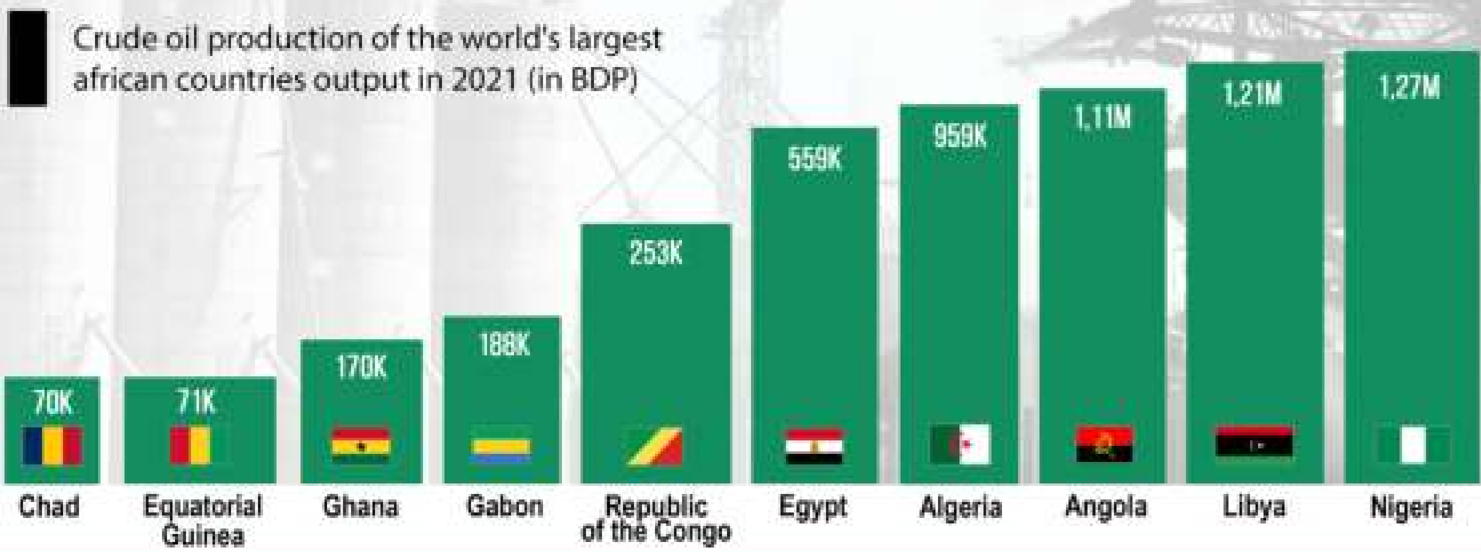
In 2021, will the ten African countries with the largest crude reserves also be the biggest producers?

Business Insider estimates that the oil reserves of the 10 largest oil-producing countries on the African continent total 125.3 billion barrels and account for around 10% of global reserves. With its estimated 48.4 billion barrels of proven oil reserves, Libya holds the title as the first country with proven oil reserves in Africa, accounting for 39.60% of the proven oil reserves on the continent and 3,3% of world reserves. The oil reserves of Nigeria, the largest oil producer in Africa, are estimated at 36.9 billion barrels. This represents 30.12% of the ten African countries and 2.55% of the world's oil reserves. Nigeria and Libya hold 70% of Africa's top 10 largest oil reserves. Angola, Algeria, and Sudan, with their respective oil reserves of 12.2 billion, 7.8 billion, and 5 billion barrels, follow well behind.

However, strong reserves do not necessarily translate into significant oil production. The potential of Africa has not yet been fully realized despite a surge in oil and gas discoveries in recent years. Oil reserves are not legitimately correlated with oil production in Africa.

TOP 10

AFRICAN COUNTRIES WITH THE LARGEST CRUDE OIL PRODUCTION OUTPUT IN 2021



Although Libya leads the list of the top ten African countries with the most oil reserves, the nation is behind Nigeria as the top oil producer in 2021. Libya has suffered a setback that has adversely affected its oil production. A pipeline repair maintenance has severely slowed oil production. Libya must act quickly to resolve the politico-social problems and instability that have plagued it for the last decade. The country needs to attract more foreign investors.

Thanks to its large oil reserves, Libya could be a great competitor to Nigeria for the top spot of oil producers in the future.

Despite having the 8th largest proven oil reserves on the continent, Uganda is not among the top oil producers in Africa. The country's lack of oil evacuation and landlocked status exacerbated its disadvantages. The construction of a 1,445 km pipeline crossing Tanzania, has sparked criticism from environmental and human rights advocates who claim the project will threaten the local environment and population.

Many other African nations with substantial oil reserves face numerous obstacles to optimally utilizing their crude oil resources. Several hardships prevent the full exploitation of African oil reserves, including the nature of oil, the country's socio-economic, political, and geographic situation, and the lack of investment.

The Declaration of Niamey

Niger's capital, Niamey, recently hosted the third edition of the Economic Communities of West African States (ECOWAS) Mining and Petroleum Forum (ECOMOF). During the event, on February 16, 2022, a historic agreement was signed by H.E. Mahamane Sani Mahamadou, Minister of Petroleum, Energy and Renewable Energies for the Republic of Niger, H.E. Mohamed Arkab, Minister of Energy and Mines of Algeria, and H.E.Chief TImipre Sylva, Minister of State for Petroleum Resources of Nigeria. Under the agreement, the multi-billion dollar Trans-Saharan Gas Pipeline project will resume. The 4,128-kilometer pipeline that connects Warri in Nigeria to Hassi R'Mel in Algeria will traverse Niger. Once completed, the pipeline will pass through Algeria's strategic Mediterranean coast and transport 30 billion cubic meters of natural gas yearly from Nigeria, Algeria, and Niger to European markets, as well as supplying stations along its route. In the wake of the current energy crisis, the pipeline will allow Europe to tap directly into the substantial gas reserves of these three countries, diversifying its supply while generating lucrative revenue streams for African gas markets. The ambitious project of building a gas pipeline across the Sahar Desert was proposed in the 1970s. However, it never proceeded due to opposition by environmental groups preserving the Niger river delta and terrorist threats by militant groups. It is therefore historical that the three countries have revived the project.

Nigerian government officials have reportedly made significant strides toward reviving the stalled Trans-Saharan Gas Pipeline project. H.E. Chief Timipre Sylva, Minister of State for Petroleum Resources of Nigeria, has expressed hope and enthusiasm for the upcoming gas project. “This project will be transformational for all the countries and we in Nigeria are committed wholly to making it a success.

It will bring jobs and much-needed revenue from gas monetization.” Nigerian authorities announced the contract award of $2,8 bn for the installation of pipelines from Warri to Ajaokuta passing through Abuja and then on to Kaduna and Kano. Electricity generating stations will be built in these places to ensure gas supply to the stations as the gas passes through these areas. Nigeria would benefit enormously from this project. The country has unlimited crude oil reserves that can be used exponentially in the future. The Trans-Sharan gas pipeline would generate substantial revenue not only for Nigeria but also for other participating nations. In line with his counterparts, the Algerian Minister of Energy and Mines, Mohamed Arkab, expressed similar enthusiasm. He stated “ This project will give a new impetus to the relationship between Nigeria and Algeria in terms of technical cooperation and capacity -strengthening. This project will have a significant social and economic impact in the transit countries, within the framework of environmental protection and sustainable development.” Many European countries rely on Algeria for their gas needs. The country has over 2,000km of gas pipelines. The Hazaran gas field is their most important gas field and it has the world’s fourth-largest gas reserves. However, their gas supply cannot keep up with the high demand. While Algerian gas reserves are depleting, Nigerian gas is underutilized. As a result, they want the facility connected to the Hazaran gas field, and from there, the Nigerians can connect and market their product. That’s a win-win situation for all parties involved. Together, they would coordinate sales and Nigeria would benefit financially.

In regards to Niger, the pipeline project would be beneficial for the country's economic development. The pipeline estimated cost of $13 will be spent in Niger, providing a much-needed boost to the already growing energy sector and the wider economy. The project will enable Niger to capitalize on its vast gas reserves, estimated at 34 billion cubic meters with recoverable reserves of 24 billion cubic meters. According to the Minister of Petroleum, energy and Renewable Energies for the Republic of Niger, H.E. Mahamane Sani Mahamadou, petrochemical industries will be developed using domestic gas, and products such as fertilizers, ammonia, and urea will be produced. Furthermore, this project will have the added benefit of boosting agriculture, which remains a major employer in the country and the entire region.

The long-overdue agreement will contribute to improved energy security good-paying jobs, and expanded economic growth. Investors and services companies seeking a strong return in investment in one of Africa's most promising hydrocarbons frontiers in one of the continent's most stable democracies will be delighted by this news. NJ Ayuk, Executive Chairman of the African Energy Chamber stated "Restarting this project sends a clear message to investors, and important strategic partners in Europe and Africa, that things are changing in Africa. We will be pushing to have some key milestones and agreements signed and announced during African Energy Week in October in Cape Town".

The impact of the Russia-Ukraine conflict on gas supply

Throughout the past few days, the media has continuously covered the Russian -Ukrainian conflict growing in intensity. The US and NATO have made multiple attempts to defuse the situation after Putin's intent to invade Ukraine has been denounced by world leaders. Following failed diplomatic talks with Kremlin, the US has put 8,500 troops on alert, ready to deploy at any moment. This shows that the crisis could escalate at any time

Economic sanctions are also being considered by the US and its allies. Growing tensions between Russia and Ukraine may jeopardize Europe's reliance on Russia for gas. Europeans, especially Eastern Europeans who are heavily dependent on Russia's gas, would suffer greatly if the US imposed economic sanctions against the country. Approximately 40% of Europe's gas is supplied by Russia. This situation is quite worrying and could have detrimental economic effects. The global health crisis Covid-19 has already caused gas prices in Europe to soar. Gas prices could rise further if the crisis escalates, according to some analysts. There is a concern that Russia could weaponize its gas exports.

Russia has already reduced the amount of natural gas flowing into Europe. This is keeping plants and factories up and running, ensuring that homes in Europe can stay warm during the winter season, but not sufficient to prevent prices from skyrocketing. EU policymakers are concerned that Russia could cut off energy supplies to Europe in an attempt to split countries apart, including powerful Germany. Russia supplies more than half of Germany's energy needs, more than any other country in Western Europe. The Germans have been less vocal about their support for Ukraine. Putin's strategic blockade may reshape Europe's alliance beyond economic interests.

Russia's gas supplies were already below average before the current Ukraine-Russia crisis. According to the US Investment Bank, from August to December, imports of gas from Russia into Northwestern Europe were down by 38% compared to the same period in 2018. European gas stockpiles also decreased by 21% as of January 12, compared to the same period five years ago. In the event of disruption and the imminent Russian-Ukrainian conflict, the energy shortage will be heightened due to low stockpiles in Europe.

In light of the likely international backlash, Putin should stop the planned invasion of Ukraine. Energy is one of the many sectors that are highly sensitive to socioeconomic, geopolitical conditions. Crude oil prices could become volatile due to the uncertainty associated with the Ukraine-Russia crisis.

The United States became the world's top LNG exporter for first time

According to data tracked by Bloomberg, the US LNG facilities passed ahead of Qatar in December. The question remains for how long it will remain on top. In the United States, the production of natural gas surged for 70% from 2010 and the nation is expected to be the world largest producer and exporter of natural gas.

This situation arrived at a time where European demand for gas is becoming more and more important and the US has positioned itself as a reliable supplier. In December a new production unit at the Sabine plant in Louisiana produced its first cargo. A record 1,043 cargoes was sent in 2021 by U.S. LNG export terminals in Asia and In Europe. This will help the global supply deficit specially in European markets.

Output from American facilities edged above Qatar in December after a jump in exports from the Sabine Pass and Freeport facilities, according to ship-tracking data compiled by Bloomberg. Cheniere Energy Inc. said last month that a new production unit at its Sabine Pass plant in Louisiana produced its first cargo.

It took about a decade and billions of dollars invested in liquefaction facilities to see the US become one of the key players in the LNG industry. Australia and Qatar are also majeure players and they can occupy the number one spot at any time based on their involvement and investments. The competition for the top producer of LNG between Qatar and the US will be harsh in the years to come.

Can the global oil supply outpace the demand ?

World socio-economic, cultural, and political landscapes have been dramatically altered by the Covid-19. The global health crisis that has been plaguing the world for the past two years has adversely affected all aspects of human livelihood. The epidemic has turned from a pandemic to an endemic. This dire situation has created huge uncertainties throughout all sectors. Oil prices have recently skyrocketed, which illustrated the severity of the situation as even the oil industry has not been spared. The outlook for 2021 doesn't seem very promising. Low stockpiles, dwindling spare production, and low investment are all factors contributing to gloomy predictions.

A recent variant of Covid Omicron has not slowed down the oil demand. Health experts report that despite the current variant being more transmissible, it is resulting in fewer hospitalizations. With the loosening of restrictions enacted by many countries, travels are on the rise, which leads to an increase in oil demand. Due to a shortage of oil worldwide and a solid increase in demand, the oil market has been weakened. There is a growing imbalance between oil supply and demand. The fact that OPEC+ predicts to exceed 104 million barrels per day by the end of the year poses a challenge because some of its 19 members cannot reach the output targets.

Despite an improvement from the deficit of 655,000 barrels a day in November, the group pumped 625.000 barrels less than its target for the seventh straight month. Due to some countries' struggles to restore output, the gap is getting wider as the barrel target keeps rising by 400,000 barrels per month.

Stockpiles are another issue that affects the oil supply. Commercial oil inventories have decreased in the economies of the Organization for Economic Cooperation and Development, according to a recent study.

Their oil production in October was 174 million barrels, which is 6% below the average for 2015-2019. OPEC is attempting to narrow the gap by increasing production, but this can result in a bigger problem: erosion of the world's spare capacity. In the event of an unexpected disruption in supply, the world's spare capacity won't be sufficient.

Already certain countries are experiencing it. After a setback caused by the closure of the pipeline from its biggest oil field and damage to one of the lines serving the largest terminal, Libya's oil production remains more than 25% below last year's level (1 million barrels a day throughout 2021). Nigeria and Ecuador have serious disruptions due to technical and operational difficulties. Kazakhstan and Russia are facing a similar situation.

Probably only the United Arab Emirates, Saudi- Arabia, and Iraq can pump above their baseline level in the OPEC group. Regardless of whether the production cuts are restored by September, the world's spare oil production will stay confined to these three countries. Their production capacity will not exceed 2,5 million barrels a day, or 2,5% of global demand. The lack of investment in the oil industry has worsened the supply shortage.

Investment in new oil and gas supply has lagged at the lowest level in a decade and a half, setting up a supply shortage. In spite of climate change advocates, environmentalists, and activists applauding the under-investment, the transition to clean energy is not going smoothly.

Crude oil consumption in the world is strong and is expected to remain this way for at least another decade. Global oil demand cannot decline structurally without abundant supplies. It is vital that the oil supply and storage levels increase to address the growing demand to avoid serious issues such as price spikes, increased volatility, and geopolitical tensions between suppliers and consumers.

Energy transitions a reality not quite ready

The energy transition is not going at the pace many wanted to. While demand is increasing, Oil producers are looking for more investment in the sector. The chief executive of Saudi Aramco, Amin Nasser, stated recently that an effort should be made for continued investment in oil and gas until low-carbon energy could grow and mature enough to meet rising energy demand. Naser added “We all agree that to move towards a sustainable energy future a smooth energy transition is absolutely essential but we must also consider the complexities and challenges to get there.”

Aramco boss pledged that more investments should be made in the O/G sector until we make the necessary progress for the renewable energy installations boom. “I am proposing that investment in both existing and new energy be continued until the latter is developed enough to realistically and significantly be able to meet rising global energy consumption,” Nasser said. Oil and gas will remain essential in many ways while developing other forms of renewable energy.

The energy transitions the world is going to pay a special attention because it could cause spiraling inflation and serious security issues. We've noted a 7% inflation rate for December in the U.S. The U.S. have seen a significant jump this winter with the price of gas increasing 72% and a volatility at the pump. In the UK, inflation reached 5.4 % and the eurozone, consumer prices jumped by a record-breaking 5% during the same period.

In developing countries, the problem could be more damaging and we are already noticing higher prices for several goods and services. When ever the price of gas rises all the other prices will followed. It is one of the most strategic commodities in the world.

On the positive note, we've witness for the first time that liquified hydrogen has been transported by sea to an international market, from Australia to Japan. All experts seem to agree that it's an important milestone for hydrogen. This fuel is the hope of some major economies to help them decarbonize.

This could be a game changer for the future of clean energy and needs to be closely followed.

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